

METCALFE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

For the Year ended June 30, 2009

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS:	
DISTRICT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	7
Statement of Activities	8
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Assets - Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds	15
Statement of Fiduciary Net Assets - Fiduciary Funds	16
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	17
NOTES TO BASIC FINANCIAL STATEMENTS	18-30
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	31
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	32

TABLE OF CONTENTS (CONTINUED)

	Page(s)
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet - Capital Projects Fund	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Funds	34
Combining Statement - Non-Major Funds:	
Combining Balance Sheet - Non-Major Governmental Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	36
Combining Statement of Revenues, Expenditures, and Fund Balances - Agency Funds	37
Statement of Receipts, Disbursements and Fund Balance - High School Activity Fund	38-39
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	40-41
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	43-44
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	45
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	46-47
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	48-49
MANAGEMENT LETTER COMMENTS	50-51



INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalf County School District
Edmonton, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metcalf County School District (the "District") as of and for the year then ended June 30, 2009 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 19, 2009, on our consideration of the Metcalf County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on Pages 3 through 6 and the budgetary comparison information on Pages 31 and 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalf County School District
Page 2

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on Pages 31 through 39 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards on Pages 40 through 42 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements of the District. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, KY
October 19, 2009

METCALFE COUNTY SCHOOL DISTRICT
EDMONTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2009

As management of the Metcalfe County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit report.

FINANCIAL HIGHLIGHTS

The beginning unreserved general fund balance for the district was \$3,018,739.

The General Fund had \$12,739,354 in receipts, which consisted primarily of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there was \$11,419,285 in General Fund expenditures.

The District's outstanding debt, excluding KISTA, is \$3,159,000 at the end of fiscal year 2009.

The majority of General Fund revenues were derived from state sources, 80% and local taxes, 19%. Regular instruction, student support services, instructional support services, and school administration accounts for 79% of the District expenditures. Central support service expenditures were pupil transportation 8%, maintenance and operations 11%, and business functions 2%.

The District's unrestricted operating fund (General Fund) had \$10,566,244 in revenues, excluding on-behalf payments, which consisted mainly of Ad Valorem taxes, State SEEK, and Utility tax receipts. Ad Valorem was 13%, state SEEK was 75%, and utility tax receipts was 6%.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and, teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 and 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-32 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$7,571,875 as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2009 as compared to June 30, 2008.

Assets	June 30, 2009	June 30, 2008
Current Assets	\$ 5,005,877	\$ 3,391,492
Non-current Assets	7,465,139	7,700,944
Total Assets	12,471,016	11,092,436
Liabilities		
Current Liabilities	1,175,759	905,234
Non-current Liabilities	3,723,382	4,419,576
Total Liabilities	4,899,141	5,324,810
Net Assets		
Investment in Capital Assets (net of debt)	3,717,419	3,197,440
Restricted	238,559	88,605
Unrestricted	3,615,897	2,481,581
Total Net Assets	7,571,875	5,767,626
Total Liabilities and Net Assets	\$ 12,471,016	\$ 11,092,436

Comments on Budget Comparisons

- Excluding on-behalf payments of \$2,173,109, the General Fund budget compared to actual revenue varied slightly from line item to line item with ending actual balance being \$390,054 more than budgeted due in large part to increased ad valorem and utility tax collections.
- Actual General Fund expenditures, net of on-behalf payments of \$2,173,109 compared to budget expenditures, net of contingency allotments, was \$1,167,129 less than budget due to administration's careful monitoring of expenditures.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2009.

	General Fund	Special Revenue	Capital Outlay	Building Fund	Food Service
REVENUES:					
Local sources	\$ 2,530,880	\$ 136	\$ -	\$ 184,930	\$ 289,200
State sources	10,159,499	748,076	156,124	371,654	76,605
Federal sources	15,150	1,797,030	-	-	772,815
Other sources	33,824	34,803	-	-	-
Total Revenues	12,739,353	2,580,045	156,124	556,584	1,138,620
EXPENDITURES:					
Instruction	6,660,206	1,937,079	-	-	-
Student support	545,991	406,379	-	-	-
Inst. Support	549,151	77,123	-	-	-
District Admin	442,079	12,067	-	-	-
School Admin	821,785	-	-	-	-
Business support	210,229	-	-	-	-
Plant operations	1,236,670	2,195	-	-	-
Student transp	953,174	-	-	-	-
Non-instructional	-	-	-	-	-
Other	-	-	-	-	-
Comm-service operations	-	178,768	-	-	-
Debt service	166,035	-	144,538	418,216	-
Building renovation	-	-	-	-	-
Food services	-	-	-	-	1,073,515
Total Expenditures	11,585,320	2,613,611	144,538	418,216	1,073,515
Excess (Deficiency) Before Transfers	1,154,033	(33,566)	11,586	138,368	65,105
Fund transfers	(33,566)	33,566	28,813	(28,813)	-
Revenues Over (Under) Expenditures	\$ 1,120,467	\$ -	\$ 40,399	\$ 109,555	\$ 65,105

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2009-2010 with a 2.5% contingency. Significant Board action that impacts the finances includes an across-the-board, state-mandated pay increase of 1% for all employees.

Questions regarding this report should be directed to Patricia Hurt, Superintendent or Lauri M. Perkins, Director of Finance at 270-432-3171 or by mail at 1007 West Stockton Street, Edmonton, Kentucky 42129.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	\$ 1,987,034	\$ 72,731	\$ 2,059,765
Investments	2,063,197		2,063,197
Accounts Receivable:			
Taxes - Current	44,190	-	44,190
Taxes - Delinquent	1,989	-	1,989
Accounts	413,894	25,503	439,397
Intergovernmental - State	147,922	-	147,922
Intergovernmental - Federal	232,380	-	232,380
Inventories for Consumption	-	17,036	17,036
Total Current Assets	<u>4,890,606</u>	<u>115,271</u>	<u>5,005,877</u>
Noncurrent Assets - Note D:			
Land & Land Improvements	1,376,347	-	1,376,347
Buildings & Building Improvements	10,120,422	-	10,120,422
Vehicles	1,786,593	-	1,786,593
Furniture & Equipment	2,869,724	516,883	3,386,607
Less: Accumulated Depreciation	<u>(8,838,972)</u>	<u>(365,858)</u>	<u>(9,204,830)</u>
Total Noncurrent Assets	<u>7,314,114</u>	<u>151,025</u>	<u>7,465,139</u>
TOTAL ASSETS	<u>12,204,720</u>	<u>266,296</u>	<u>12,471,016</u>
LIABILITIES:			
Current Liabilities:			
Checks Issued in Excess of Cash	268,757	-	268,757
Accounts Payable	90,939	8,161	99,100
Accrued Interest Payable	31,857	-	31,857
Accrued Sick Leave - Note G	53,781	-	53,781
Deferred Revenues	99,364	-	99,364
Bond Obligations - Note E	536,000	-	536,000
Loans Payable - Note E	86,900	-	86,900
Total Current Liabilities	<u>1,167,598</u>	<u>8,161</u>	<u>1,175,759</u>
Noncurrent Liabilities:			
Bond Obligations - Note E	2,623,000	-	2,623,000
Loans Payable - Note E	501,820	-	501,820
Accrued Sick Leave - Note G	598,562	-	598,562
Total Noncurrent Liabilities	<u>3,723,382</u>	<u>-</u>	<u>3,723,382</u>
TOTAL LIABILITIES	<u>4,890,980</u>	<u>8,161</u>	<u>4,899,141</u>
NET ASSETS:			
Invested in Net Assets, Net of Related Debt	3,566,394	151,025	3,717,419
Restricted for:			
Capital Projects	238,559	-	238,559
Unrestricted	3,508,787	107,110	3,615,897
TOTAL NET ASSETS	<u>\$ 7,313,740</u>	<u>\$ 258,135</u>	<u>\$ 7,571,875</u>

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

					NET (EXPENSE) REVENUE AND CHANGES		
					IN NET ASSETS		
FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
		CHARGES FOR SERVICES	OPERATING GRANT'S AND CONTRIBUTIONS	CAPITAL GRANT'S AND CONTRIBUTIONS			
GOVERNMENTAL ACTIVITIES:							
Instructional	\$ 8,666,020	\$ 25,151	\$ 1,903,513	\$ -	\$ (6,737,356)	\$ -	\$ (6,737,356)
Student Support Services	1,005,611	-	406,379	-	(599,232)	-	(599,232)
Staff Support Services	640,057	-	77,123	-	(562,934)	-	(562,934)
District Administration	458,374	-	12,067	-	(446,307)	-	(446,307)
School Administration	827,685	-	-	-	(827,685)	-	(827,685)
Business Support Services	209,589	-	-	-	(209,589)	-	(209,589)
Plant Operation & Maintenance	1,410,189	-	2,195	-	(1,407,994)	-	(1,407,994)
Student Transportation	923,110	-	-	-	(923,110)	-	(923,110)
Central Office	(1,123)	-	-	-	1,123	-	1,123
Community Service Operations	171,844	-	178,768	-	6,924	-	6,924
Facilities Acquisition & Construction	-	-	-	527,778	527,778	-	527,778
Interest on Long-Term Debt	178,760	-	-	-	(178,760)	-	(178,760)
TOTAL GOVERNMENTAL ACTIVITIES	14,490,116	25,151	2,580,045	527,778	(11,357,142)		(11,357,142)
BUSINESS-TYPE ACTIVITIES:							
Food Service	1,073,515	281,596	806,587	-	-	14,668	14,668
TOTAL BUSINESS-TYPE ACTIVITIES	1,073,515	281,596	806,587	-	-	14,668	14,668
TOTAL SCHOOL DISTRICT	\$ 15,563,631	\$ 306,747	\$ 3,386,632	\$ 527,778	(11,357,142)	14,668	(11,342,474)
GENERAL REVENUES:							
Taxes					2,632,457	-	2,632,457
State Aid - Formula Grants					10,374,873	42,833	10,417,706
Investment Earnings					83,353	348	83,701
Miscellaneous					567	7,256	7,823
SPECIAL ITEMS:							
Gain(Loss) Sale of Assets					1,802	-	1,802
Loss Compensation					3,233	-	3,233
TOTAL GENERAL & SPECIAL					13,096,285	50,437	13,146,722
CHANGE IN NET ASSETS					1,739,143	65,106	1,804,249
NET ASSETS - BEGINNING					5,574,597	193,029	5,767,626
NET ASSETS - ENDING					\$ 7,313,740	\$ 258,135	\$ 7,571,875

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash & Cash Equivalents	\$ 1,748,475	\$ -	\$ 238,559	\$ -	\$ 1,987,034
Investments	2,063,196				2,063,196
Accounts Receivable:					
Taxes - Current	44,190	-	-	-	44,190
Taxes - Delinquent	1,989	-	-	-	1,989
Accounts	410,679	3,216	-	-	413,894
Intergovernmental - State	-	147,922	-	-	147,922
Intergovernmental - Federal		232,380	-	-	232,380
TOTAL ASSETS	<u>\$ 4,268,529</u>	<u>\$ 383,518</u>	<u>\$ 238,559</u>	<u>\$ -</u>	<u>\$ 4,890,606</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Checks Issued in Excess of Cash	\$ -	\$ 268,757	\$ -	\$ -	\$ 268,757
Accounts Payable	75,542	15,397	-	-	90,939
Accrued Sick Leave	53,781	-	-	-	53,781
Deferred Revenues	-	99,364	-	-	99,364
Total Liabilities	<u>129,323</u>	<u>383,518</u>	<u>-</u>	<u>-</u>	<u>512,841</u>
Fund Balance:					
Reserved for:					
Accrued Sick Leave	53,781	-	-	-	53,781
Unreserved:					
Capital Projects Fund	-	-	238,559	-	238,559
Other Purposes	4,085,425	-	-	-	4,085,425
Total Fund Balance	<u>4,139,206</u>	<u>-</u>	<u>238,559</u>	<u>-</u>	<u>4,377,765</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,268,529</u>	<u>\$ 383,518</u>	<u>\$ 238,559</u>	<u>\$ -</u>	<u>\$ 4,890,606</u>

METCALFE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

TOTAL GOVERNMENTAL FUND BALANCE	\$ 4,377,765
---------------------------------	--------------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	16,153,086	
Accumulated Depreciation	<u>(8,838,972)</u>	7,314,114

Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Accrued Interest Payable	(31,857)	
Bonds Payable	(3,159,000)	
Loans Payable	(588,720)	
Accrued Sick Leave	<u>(598,562)</u>	<u>(4,378,139)</u>

TOTAL NET ASSETS- GOVERNMENTAL ACTIVITIES	\$ <u>7,313,740</u>
---	---------------------

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL	SPECIAL FUND	CAPITAL PROJECT FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$2,447,527	\$ -	\$ 184,930	\$ -	\$ 2,632,457
Earnings on Investments	83,353	136	-	-	83,489
Intergovernmental - State	10,159,499	748,076	527,778	200,224	11,635,577
Intergovernmental - Federal	15,150	1,797,030	-	-	1,812,180
Other Sources	25,718	34,803	-	-	60,521
TOTAL REVENUES	12,731,248	2,580,045	712,708	200,224	16,224,225
EXPENDITURES:					
Instructional	6,660,206	1,937,079	-	-	8,597,285
Student Support Services	545,991	406,379	-	-	952,370
Staff Support Services	549,151	77,123	-	-	626,274
District Administration	442,079	12,067	-	-	454,146
School Administration	821,785	-	-	-	821,785
Business Support Services	210,229	-	-	-	210,229
Plant Operation & Maintenance	1,236,670	2,195	-	-	1,238,865
Student Transportation	953,174	-	-	-	953,174
Community Service Operations	-	178,768	-	-	178,768
Debt Service:					
Principal	-	-	-	755,784	755,784
Interest	-	-	-	173,229	173,229
TOTAL EXPENDITURES	11,419,285	2,613,611	-	929,013	14,961,909
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	1,311,963	(33,566)	712,708	(728,789)	1,262,316
OTHER FINANCING SOURCES(USES):					
Proceeds from Sale of Assets	4,873	-	-	-	4,873
Loss Compensation	3,233	-	-	-	3,233
Operating Transfers In - Note O	-	33,566	28,813	728,789	791,168
Operating Transfers Out - Note O	(199,601)	-	(591,567)	-	(791,168)
TOTAL OTHER FINANCING SOURCES	(191,496)	33,566	(562,754)	728,789	8,105
NET CHANGE IN FUND BALANCES	1,120,467	-	149,954	-	1,270,421
FUND BALANCES - BEGINNING	3,018,739	-	88,605	-	3,107,344
FUND BALANCES - ENDING	\$4,139,206	\$ -	\$ 238,559	\$ -	\$ 4,377,765

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

NET CHANGES - GOVERNMENTAL FUNDS		\$ 1,270,421
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets exceeds depreciation expense for the year.</p>		
Depreciation Expense	(641,350)	
Capital Outlays	<u>417,057</u>	(224,293)
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Principal Paid	<u>755,784</u>	755,784
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued Interest Payable	(5,531)	
Accrued Sick Leave	<u>(59,983)</u>	(65,514)
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net assets differs from change in fund balances by the cost of the asset sold.</p>		
Sale of Asset net of Gain	<u>2,745</u>	<u>2,745</u>
CHANGES - NET ASSETS GOVERNMENTAL FUNDS		<u>\$ 1,739,143</u>

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	ENTERPRISE FUNDS		
	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	\$ 72,731	\$ -	\$ 72,731
Accounts Receivable	25,503	-	25,503
Inventories for Consumption	17,036	-	17,036
Total Current Assets	115,271	-	115,271
Noncurrent Assets:			
Furniture & Equipment	516,883	-	516,883
Less: Accumulated Depreciation	(365,858)	-	(365,858)
Total Noncurrent Assets	151,025	-	151,025
TOTAL ASSETS	\$ 266,296	\$ -	\$ 266,296
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 8,161	\$ -	\$ 8,161
Total Current Liabilities	8,161	-	8,161
Net Assets:			
Invested in Assets, Net of Debt	151,025	-	151,025
Unrestricted	107,110	-	107,110
Total Net Assets	258,135	-	258,135
TOTAL LIABILITIES AND NET ASSETS	\$ 266,296	\$ -	\$ 266,296

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	ENTERPRISE FUNDS		
	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	\$ 281,596	\$ -	\$ 281,596
TOTAL OPERATING REVENUES	281,596	-	281,596
OPERATING EXPENSES:			
Salaries & Benefits	469,184	-	469,184
Contract Services	1,030	-	1,030
Materials & Supplies	578,539	-	578,539
Depreciation - Note F	14,918	-	14,918
Other Operating Expenses	9,844	-	9,844
TOTAL OPERATING EXPENSES	1,073,515	-	1,073,515
OPERATING INCOME(LOSS)	(791,919)	-	(791,919)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	729,982	-	729,982
State Grants	76,605	-	76,605
Donated Commodities	42,833	-	42,833
Interest Income	348	-	348
Miscellaneous Income	7,256	-	7,256
TOTAL NONOPERATING REVENUE	857,024	-	857,024
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	65,106	-	65,106
CHANGE IN NET ASSETS	65,106	-	65,106
TOTAL NET ASSETS - BEGINNING	193,029	-	193,029
TOTAL NET ASSETS - ENDING	\$ 258,135	\$ -	\$ 258,135

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From	
Lunchroom sales	\$ 281,596
Government sales	733,579
Other activities	18,679
Cash paid to/for	
Employees	(404,002)
Supplies	(510,408)
Other activities	(10,874)
	<u>108,570</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	108,570

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	<u>(660)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(660)

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of interest income	<u>348</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>348</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,258

Balances, Beginning of Year	<u>(35,527)</u>
Balances, End of Year	<u><u>\$ 72,731</u></u>

RECONCILIATION OF CHANGE IN NET INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES

Net Income (Loss)	\$ 65,106
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	14,918
Interest	(348)
Change in assets and liabilities	
(Increase) Decrease in Receivables	3,596
Increase (Decrease) in Payables	8,161
(Increase) Decrease in Inventory	17,138
	<u>108,570</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 108,570</u>

SCHEDULE OF NON-CASH TRANSACTIONS

On Behalf Payments from the State for Employee Benefits	\$ 65,182
Donated Commodities Received from Federal Government	42,833

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUND</u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,248	\$ 136,686
Accounts Receivable	<u>-</u>	<u>1,325</u>
TOTAL ASSETS	2,248	138,011
LIABILITIES:		
Accounts Payable	-	880
Due to Student Groups	<u>-</u>	<u>137,131</u>
TOTAL LIABILITIES	<u>-</u>	<u>138,011</u>
NET ASSETS HELD IN TRUST	<u>\$ 2,248</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>PRIVATE PURPOSE TRUST FUND</u>
ADDITIONS:	
Scholarship Funds Contributed	\$ 2,280
DEDUCTIONS:	
Benefits Paid	<u>(2,000)</u>
Changes in Net Assets	280
NET ASSETS - BEGINNING OF YEAR	<u>1,968</u>
NET ASSETS - END OF YEAR	<u>\$ 2,248</u>

See independent auditor's report and accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Metcalfe County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Metcalfe County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Metcalfe County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Metcalfe County School District Finance Corporation – The Metcalfe County, Kentucky, Board of Education has established the Metcalfe County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

District-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The District-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

In the District-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on Pages 39 and 40. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund). The District's Capital Project Funds include:
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds and Private Purpose Trust Fund)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust Fund consists of teacher contributions and disbursements for student scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported in inventory.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The measurement focus of governmental fund accounting is on decreased net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2008, to finance the General Fund operations were \$0.408 per \$100 valuation for real property, \$0.408 per \$100 valuation for business personal property, and \$0.566 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

Board policy has set the capitalization threshold for reporting capital assets at \$1,000. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	50 years
Building Improvements	25 years
Technology Improvements	5 years
School Buses	10 years
Vehicles	5 years
Food Service Equipment	12 years
Audio-Visual Equipment	15 years
Other General Equipment	10 years

Inter-fund Balances

On fund financial statements, receivables and payable resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

On-behalf payments were not considered in the budget.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased food held for resale and is expensed when used. Purchased food is valued at cost and the U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Board's policy is to apply restricted net assets first.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. At year-end, the carrying amount of the District's total cash and cash equivalents was \$3,993,139. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, \$3,743,139 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2009, consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Edmonton State Bank	\$ 2,288,952	\$ 1,929,942

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE C – CASH AND CASH EQUIVALENTS – (CONTINUED)

Breakdown per financial statements:

Governmental Funds	\$ 1,718,277
Proprietary Funds	72,731
Fiduciary Funds	<u>138,934</u>
	<u>\$ 1,929,942</u>

NOTE D – CAPITAL ASSETS

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Land	\$ 215,406	\$ -	\$ -	\$ 215,406
Land Improvements	1,160,941	-	-	1,160,941
Building & Building Improvements	10,043,907	76,515	-	10,120,422
Technology Equipment	2,350,057	160,292	(174,863)	2,335,486
Vehicles	1,698,952	158,901	(71,260)	1,786,593
General Equipment	<u>530,716</u>	<u>21,349</u>	<u>(17,827)</u>	<u>534,238</u>
TOTAL AT HISTORICAL COST	15,999,979	417,057	(263,950)	16,153,086
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	862,470	39,930	-	902,400
Building & Building Improvements	4,379,029	202,227	-	4,581,256
Technology Equipment	1,692,421	250,056	(178,605)	1,763,872
Vehicles	1,157,562	117,585	(71,260)	1,203,887
General Equipment	<u>372,835</u>	<u>31,552</u>	<u>(16,830)</u>	<u>387,557</u>
TOTAL ACCUMULATED DEPRECIATION	<u>8,464,317</u>	<u>641,350</u>	<u>(266,695)</u>	<u>8,838,972</u>
GOVERNMENTAL ACTIVITIES CAPITAL, NET	<u>\$ 7,535,662</u>	<u>\$ (224,293)</u>	<u>\$ 2,745</u>	<u>\$ 7,314,114</u>
PROPRIETARY ACTIVITIES:				
Building & Building Improvements	\$ 175,489	\$ -	\$ -	\$ 175,489
Technology Equipment	13,985	660	-	14,645
General Equipment	<u>341,140</u>	<u>-</u>	<u>(14,391)</u>	<u>326,749</u>
TOTAL AT HISTORICAL COST	530,614	660	(14,391)	516,883
LESS ACCUMULATED DEPRECIATION FOR:				
Building & Building Improvements	64,071	3,305	-	67,376
Technology Equipment	10,349	895	-	11,244
General Equipment	<u>290,911</u>	<u>10,718</u>	<u>(14,391)</u>	<u>287,238</u>
TOTAL ACCUMULATED DEPRECIATION	<u>365,332</u>	<u>14,918</u>	<u>(14,391)</u>	<u>365,858</u>
GOVERNMENTAL ACTIVITIES CAPITAL, NET	<u>\$ 165,282</u>	<u>\$ (14,258)</u>	<u>\$ -</u>	<u>\$ 151,025</u>

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE D – CAPITAL ASSETS – (CONTINUED)

DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	\$ 176,492
Student Support Services	53,979
Staff Support Services	16,925
District Administration	13,901
School Administration	5,900
Business Support Services	9
Plant Operation & Maintenance	254,101
Student Transportation	113,542
Central Office	5,124
Community Service Operations	1,376
	<hr/>
TOTAL	<u><u>\$ 641,350</u></u>

NOTE E – GENERAL LONG – TERM DEBT

BONDS PAYABLE

The amount shown in the accompanying government-wide financial statements as bond principal outstanding represents the District's future obligations to make payments relating to the bonds issued by the Metcalfe County School District Finance Corporation.

The original amount of each issue and interest rates are summarized below:

1995 Series	\$ 100,000	5.55% - 6.50%
1996 Series	285,000	4.50% - 5.15%
2003 Series B	2,690,000	2.00% - 3.50%

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Metcalfe County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The school facilities are pledged as security for the related bonds and the District is required to maintain adequate property insurance on the facilities.

The District has "participation agreements" with the Kentucky School Facility Construction Commission (the Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statement

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE E – GENERAL LONG – TERM DEBT – (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2009, for debt service (principal and interest) are as follows:

Year Ending June 30,	Metcalf County School District		Kentucky School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2009-10	\$ 391,663	\$ 87,672	\$ 144,337	\$ 31,175	\$ 654,847
2010-11	406,458	74,158	149,542	25,314	655,472
2011-12	416,165	59,556	155,835	19,105	650,661
2012-13	435,203	44,356	50,797	12,450	542,806
2013-14	453,807	29,416	49,193	10,096	542,512
2014-15	29,126	13,035	36,874	7,764	86,799
2015-16	29,238	11,544	30,762	6,260	77,804
2016-17	35,417	9,877	24,583	5,283	75,160
2017-18	25,992	8,571	14,008	4,434	53,005
2018-19	30,153	7,420	14,847	3,842	56,262
2019-20	23,659	6,282	16,341	3,178	49,460
2020-21	34,140	5,010	15,860	2,470	57,480
2021-22	32,776	3,538	17,224	1,744	55,282
2022-23	32,798	2,094	17,202	985	53,079
2023-24	31,219	687	13,781	303	45,990
	<u>\$ 2,407,814</u>	<u>\$ 363,216</u>	<u>\$ 751,186</u>	<u>\$ 134,403</u>	<u>\$ 3,656,619</u>

A Summary of bond principal balances is as follows:

	Balance at July 1, 2008	Issued	Retired	Balance at June 30, 2009
District	\$ 2,789,731	\$ -	\$ 381,917	\$ 2,407,814
Commission	890,269	-	139,083	751,186
	<u>\$ 3,680,000</u>	<u>\$ -</u>	<u>\$ 521,000</u>	<u>\$ 3,159,000</u>

LOANS PAYABLE

The District entered into loans from the Kentucky Inter-local School Transportation Association (KISTA) during the 2000 fiscal year for the purpose of making various capital improvements to the District's school facilities. Interest is payable semiannually on June 1 and December 1 at rates noted as follows:

May-99	\$ 985,000	3.80% - 4.80%
Jul-99	173,000	3.90% - 5.30%
Aug-99	128,000	4.60% - 5.60%

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE E – GENERAL LONG – TERM DEBT – (CONTINUED)

Principal on the first two loans is due annually on December 1. Principal on the third loan will be payable annually on June 1. The Commission has expressed the intention to make 100% of the principal and interest payments for the July and August 1999 loans. Debt service on the loans is as follows:

Year Ending June 30,	Metcalf County School District		Kentucky School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2009-10	\$ 73,000	\$ 17,288	\$ 13,900	\$ 9,529	\$ 113,717
2010-11	77,000	13,819	15,270	8,817	114,906
2011-12	81,000	10,145	15,960	8,002	115,107
2012-13	84,000	6,267	17,030	7,131	114,428
2013-14	89,000	2,136	18,000	6,301	115,437
2014-15	-	-	19,000	5,334	24,334
2015-16	-	-	19,100	4,335	23,435
2016-17	-	-	21,000	3,284	24,284
2017-18	-	-	22,250	2,125	24,375
2018-19	-	-	23,210	916	24,126
	<u>\$ 404,000</u>	<u>\$ 49,655</u>	<u>\$ 184,720</u>	<u>\$ 55,774</u>	<u>\$ 694,149</u>

NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES

The District has various operating leases for copiers and office equipment. The following is a schedule of future minimum lease payments.

	June 30,
	<u>2009</u>
	\$ 42,972
	32,883
	27,707
	27,044
	<u>27,044</u>
Total Minimum Rentals	<u>\$ 157,650</u>

Rent expense for the year ended June 30, 2009 was \$32,359.

NOTE G – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a certified employee will receive from the District 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. As of June 30, 2009, management has estimated the accrued sick leave liability obligation will be approximately \$652,343.

In accordance with GASB Statement No. 34, the government fund financial statements reflect the current portion of sick leave payable of \$53,781. This is the amount anticipated to be funded with current year's economic financial resources.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE H – RETIREMENT PLANS

KENTUCKY TEACHER’S RETIREMENT:

The Metcalfe County School District contributes to the Teachers’ Retirement System of Kentucky (KTRS), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers’ Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS for members established before July 1, 2008 and 10.855% for members established after July 1, 2008. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members established before July 1, 2008 and 14.105% for member established after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. During the years ended June 30, 2009, 2008 and 2007, contributions of \$758,542, \$812, 757, and \$661,812 were made by the State of Kentucky and \$78,122, \$96,027 and \$84,815 in contributions were passed through the District’s federally funded programs. The employee contribution rate of 9.855 % is actuarially determined and withheld by the District. Such withholdings during the years ended June 30, 2009, 2008 and 2007 totaled \$629,397, \$683,408 and \$561, 466 and were paid by the District to the State of Kentucky as required. The District has no other liability under the plan. The District’s total payroll for all employees during the years ended June 30, 2009, 2008 and 2007 was \$8,737,833, \$9,435,518 and \$8,105,197 and \$6,372,046, \$6,934,638 and \$5,697,267 of such amounts related to employees covered by the retirement plan. All payments were made to the retirement system in the amount of the annually required contributions.

Substantially all other employees (classified personnel) are covered under the County Employee’s Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended June 30, 2009, 2008 and 2007 of 13.55%, 16.18% and 13.19% of the employee’s total compensation subject to contribution. The contribution rate is actuarially determined. The District’s contribution requirement for CERS for the years ended June 30, 2009, 2008 and 2007 was \$320,576, \$404,325 and \$317,606 from the District and \$118,312, \$125,046 and \$120,397 from employees. The total covered payroll for CERS during the years ended June 30, 2009, 2008 and 2007 was \$2,365,787, \$2,500,880 and \$2,407,930. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents. All payments were made to the retirement system in the amount of the annually required contributions.

The County Employee’s Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

DEFERRED COMPENSATION:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on this financial statement.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE I – ON-BEHALF PAYMENTS

The following payments made by the state on-behalf of employees of the District and for the benefit of the District are recognized in the district-wide financial statements as additional revenue and expenditures for the year ended June 30, 2009:

Kentucky Teacher's Retirement System		\$ 758,542	
Vocational Education		31,262	
Health Insurance		1,479,096	
Life Insurance		5,586	
Administrative Fees		15,030	
Flexible Plans		82,075	
Less: Federal Reimbursements		(133,299)	
Total		\$ 2,238,292	

NOTE J – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected, to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers' Compensation insurance.

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE M – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. Additionally, there were no funds that had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction in fund balance.

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 33,566
Operating	Building	Capital Outlay	Balance Transfer	28,813
Operating	General	Debt Service	Debt Service	166,035
Operating	Capital Outlay	Debt Service	Debt Service	144,538
Operating	Building	Debt Service	Debt Service	418,216
				<u>\$ 791,168</u>

Note P – SUBSEQUENT EVENTS

On August 27, 2009, Metcalfe County School District received funds of \$403,999.50 in response to the District's payoff of KISTA SILP Series 1999 loan for Energy Improvements made May 20, 2009 for a due date of June 1, 2009. The aforementioned payoff required a thirty day call notice and therefore the funds were received back for the payment less interest due at June 1, 2009. The funds have been recorded at June 30, 2009 as an accounts receivable in the general fund.

SUPPLEMENTARY INFORMATION

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 2,011,000	\$ 2,011,000	\$ 2,447,527	\$ 436,527
Other Local Sources	60,000	81,923	109,071	27,148
State Sources	7,717,595	8,053,267	10,159,499	2,106,232
Federal Sources	-	-	15,150	15,150
Other Sources	40,000	30,000	8,106	(21,894)
TOTAL REVENUES	9,828,595	10,176,190	12,739,353	2,563,163
EXPENDITURES:				
Instructional	5,166,778	5,254,538	6,660,206	(1,405,668)
Student Support Services	460,723	466,773	545,991	(79,218)
Staff Support Services	398,239	426,308	549,151	(122,843)
District Administration	384,522	388,855	442,079	(53,224)
School Administration	533,444	638,445	821,785	(183,340)
Business Support Services	160,636	175,597	210,229	(34,632)
Plant Operation & Maintenance	1,106,057	1,153,395	1,236,670	(83,275)
Student Transportation	1,007,440	987,757	953,174	34,583
Other	2,410,756	3,705,661	199,601	3,506,060
TOTAL EXPENDITURES	11,628,595	13,197,329	11,618,886	1,578,443
NET CHANGE IN FUND BALANCE	(1,800,000)	(3,021,139)	1,120,467	4,141,606
FUND BALANCES - BEGINNING	1,800,000	3,018,739	3,018,739	-
FUND BALANCES - ENDING	\$ -	\$ (2,400)	\$ 4,139,206	\$ 4,141,606

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	\$ -	\$ 29,783	\$ 34,939	\$ (5,156)
State Sources	-	751,613	748,076	(3,537)
Federal Sources	-	1,854,931	1,797,030	(57,901)
Other Sources	-	33,566	33,566	-
TOTAL REVENUES	-	2,669,893	2,613,611	(56,282)
EXPENDITURES:				
Instructional	-	2,271,762	1,937,079	334,683
Student Support Services	-	132,513	406,379	(273,866)
Staff Support Services	-	67,497	77,123	(9,626)
District Administration	-	12,691	12,067	624
Plant Operation & Maintenance	-	2,400	2,195	205
Community Service Operations	-	183,030	178,768	4,262
TOTAL EXPENDITURES	-	2,669,893	2,613,611	56,282
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES - BEGINNING	-	150,398	-	(150,398)
FUND BALANCES - ENDING	\$ -	\$ 150,398	\$ -	\$ (150,398)

METCALFE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUND - CAPITAL PROJECT FUNDS
 JUNE 30, 2009

	CAPITAL OUTLAY FUND	BUILDING FUND	CONSTRUCTION FUND	TOTAL CAPITAL PROJECT FUNDS
ASSETS:				
Cash & Cash Equivalents	\$ 26,176	\$ 196,471	\$ 15,912	\$ 238,559
TOTAL ASSETS	<u>\$ 26,176</u>	<u>\$ 196,471</u>	<u>\$ 15,912</u>	<u>\$ 238,559</u>
LIABILITIES AND FUND BALANCES:				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Reserved for:				
Capital Projects Fund	26,176	196,471	15,912	238,559
Total Fund Balances	<u>26,176</u>	<u>196,471</u>	<u>15,912</u>	<u>238,559</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,176</u>	<u>\$ 196,471</u>	<u>\$ 15,912</u>	<u>\$ 238,559</u>

METCALFE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND - CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	CAPITAL OUTLAY FUND	BUILDING FUND	CONSTRUCTION FUND	TOTAL CAPITAL PROJECTS FUNDS
REVENUES:				
Taxes	\$ -	\$ 184,930	\$ -	\$ 184,930
Earnings from Investments	-	-	-	-
Intergovernmental - State	156,124	371,654	-	527,778
Intergovernmental - Federal	-	-	-	-
Other Sources	-	-	-	-
TOTAL REVENUES	156,124	556,584	-	712,708
EXPENDITURES:				
Instructional	-	-	-	-
Student Support Services	-	-	-	-
Staff Support Services	-	-	-	-
District Administration	-	-	-	-
School Administration	-	-	-	-
Business Support Services	-	-	-	-
Plant Operations & Maintenance	-	-	-	-
Student Transportation	-	-	-	-
Central Office	-	-	-	-
Community Service Operations	-	-	-	-
Facilities Acquisition & Construction	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	156,124	556,584	-	712,708
OTHER FINANCING SOURCES(USES):				
Proceeds from Sale of Bonds	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-
Operating Transfers In	28,813	-	-	28,813
Operating Transfers Out	(144,538)	(447,029)	-	(591,567)
TOTAL OTHER FINANCING SOURCES(USES)	(115,725)	(447,029)	-	(562,754)
NET CHANGE IN FUND BALANCES	40,399	109,555	-	149,954
FUND BALANCES - BEGINNING	(14,223)	86,916	15,912	88,605
FUND BALANCES - ENDING	\$ 26,176	\$ 196,471	\$ 15,912	\$ 238,559

METCALFE COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
	<u> </u>	<u> </u>
ASSETS:		
Cash & Cash Equivalents	\$ -	\$ -
Accounts Receivable:		
Taxes	-	-
Accounts	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	-	-
Accrued Sick Leave	-	-
Deferred Revenues	-	-
Total Liabilities	<u> </u>	<u> </u>
Fund Balances:		
Reserved for:		
Encumbrances	-	-
Site-Based Carryforward	-	-
Accrued Sick Leave	-	-
Unreserved - Reported in Non-Major	-	-
Capital Projects Fund	-	-
Debt Service Fund	-	-
Other Purposes	-	-
Total Fund Balances	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u> </u>	<u> </u>
	\$ -	\$ -

METCALFE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:		
Taxes	\$ -	\$ -
Earnings from Investments	-	-
Intergovernmental - State	200,224	200,224
Intergovernmental - Federal	-	-
Other Sources	-	-
TOTAL REVENUES	<u>200,224</u>	<u>200,224</u>
EXPENDITURES:		
Instructional	-	-
Student Support Services	-	-
Staff Support Services	-	-
District Administration	-	-
School Administration	-	-
Business Support Services	-	-
Plant Operations & Maintenance	-	-
Student Transportation	-	-
Central Office	-	-
Community Service Operations	-	-
Facilities Acquisition & Construction	-	-
Debt Service:		
Principal	755,784	755,784
Interest	173,229	173,229
TOTAL EXPENDITURES	<u>929,013</u>	<u>929,013</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(728,789)	(728,789)
OTHER FINANCING SOURCES(USES):		
Proceeds from Sale of Bonds	-	-
Proceeds from Sale of Assets	-	-
Operating Transfers In	728,789	728,789
Operating Transfers Out	-	-
TOTAL OTHER FINANCING SOURCES(USES)	<u>728,789</u>	<u>728,789</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>

METCALFE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	FUND BALANCE JULY 1, 2008	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2009
Metcalfé County High School	\$ 68,939	\$ 208,806	\$ 209,251	\$ 68,494
Summer Shade Elementary School	21,201	42,874	35,745	28,330
Edmonton Elementary School	14,940	68,395	69,150	14,185
North Metcalfé Elementary School	17,029	30,357	32,894	14,492
Metcalfé County Middle School	16,564	44,127	49,061	11,630
Total Activity Funds (Due to Student Groups)	\$ 138,673	\$ 394,559	\$ 396,101	\$ 137,131

SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
SCHOOL ACTIVITY FUNDS

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	CASH BALANCE July 1, 2008	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2009	ACCOUNTS RECEIVABLE JUNE 30, 2009	ACCOUNTS PAYABLE JUNE 30, 2009	FUND BALANCE JUNE 30, 2009
Academic Team	\$ 326	\$ 100	\$ 152	\$ 274	\$ -	\$ 14	\$ 260
Art Department	53	30	-	83	-	-	83
Athletics	2,988	59,090	58,638	3,440	-	-	3,440
Band	188	696	547	337	-	-	337
Beta Club	1,633	12,094	11,286	2,441	-	-	2,441
Book Rental	3,414	4,042	3,335	4,120	-	-	4,120
Cheerleaders	334	5,336	5,167	502	-	-	502
Volleyball	293	2,699	2,499	494	-	-	494
Nursing Class	32	583	487	128	-	-	128
Class of 2009	1,376	472	1,676	173	-	-	173
Class of 2010	718	3,357	2,951	1,123	-	-	1,123
Class of 2007	27	-	-	27	-	-	27
Class of 2008	305	-	-	305	-	-	305
Computer Club/STLP	1,778	811	1,782	807	-	-	807
Concession Golf	221	457	271	407	-	-	407
Concession Lady Homets	501	2,923	3,418	6	-	-	6
Concession Softball	135	650	710	75	-	-	75
Concession Boys Basketball	154	300	240	214	-	-	214
Concession Cheerleaders	31	300	-	331	-	-	331
Concession Cross Country	307	600	904	3	-	-	3
Concession Dance Team	-	600	600	-	-	-	-
Promo I Class (TV)	730	-	-	730	-	-	730
Concession Baseball	872	300	-	1,172	-	-	1,172
Concesssion Football	1,200	600	1,305	495	-	-	495
Athletics Tournament Share	15,809	7,480	6,706	16,583	-	-	16,583
Concession Volleyball	28	-	-	28	-	-	28
Concession Band	300	300	-	600	-	-	600
Track & Field	14	-	14	-	-	-	-
Dance Team	239	3,472	3,711	-	-	-	-
Drama	220	270	-	490	-	-	490
FCA	545	-	-	545	-	-	545
FCCLA	16	-	-	16	-	-	16
Tennis Account	-	600	600	-	-	-	-
FEA	1,080	-	-	1,080	-	-	1,080
FFA	7	22,238	20,026	2,218	250	275	2,193
General	219	276	474	21	-	-	21
Lady Homets	-	-	-	-	-	-	-

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2009

	CASH BALANCE July 1, 2008	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2009	ACCOUNTS RECEIVABLE JUNE 30, 2009	ACCOUNTS PAYABLE JUNE 30, 2009	FUND BALANCE JUNE 30, 2009
Office Account	\$ 8	\$ 3,189	\$ 3,089	\$ 108	\$ -	\$ -	\$ 108
Interest	752	1,055	1,634	174	-	-	174
Library	102	-	-	102	-	-	102
Pep Club	142	478	399	221	-	-	221
Pride	135	-	-	135	-	-	135
Seat Club	6	321	218	109	-	-	109
Student Coke/Snack	2,002	16,509	16,078	2,433	-	-	2,433
Student Council	140	-	-	140	-	-	140
Softball	-	2,214	2,214	-	-	-	-
Teachers' Lounge	254	2,809	2,943	120	-	-	120
The Buzz	133	-	-	133	-	-	133
Picture Day Fund	731	1,374	1,924	181	-	-	181
KJHS	771	4,880	4,741	910	-	-	910
Yearbook	15,669	16,401	19,361	12,709	-	-	12,709
Girls Basketball Camp	1,200	1,420	991	1,629	-	-	1,629
HOSA	2,290	3,842	4,762	1,370	-	-	1,370
Memorial Fund	331	250	250	331	-	-	331
Game Concessions	3,979	-	-	3,979	-	-	3,979
Phase II Tobacco Program	16	-	-	16	-	-	16
Jr. Beta Club	1,052	1,885	1,269	1,667	-	-	1,667
Signs	-	7,235	6,726	509	795	-	1,304
FBLA	-	110	80	30	-	-	30
Video Production	-	30	-	30	-	-	30
Prom 2009 Class of 2010	-	7,607	7,480	127	59	-	186
Flower Fund	241	150	368	23	-	-	23
Special Ed	200	-	69	131	-	-	131
Archery Club	1,388	2,474	3,452	410	-	-	410
Athletic Travel	173	-	-	173	-	-	173
Project Graduation	1	9,024	8,968	57	-	-	57
United To Read	114	-	-	114	-	-	114
Chess Club	70	83	20	133	-	-	133
Bell Tree Orchard	24	-	-	24	-	-	24
Spanish Club	101	250	193	158	-	-	158
Scholarship Fund	25	-	-	25	-	-	25
Total All Funds	\$ 68,140	\$ 214,268	\$ 214,728	\$ 67,679	\$ 1,104	\$ 289	\$ 68,494
Interfund Transfers	-	(5,310)	(5,310)	-	-	-	-
Total	\$ 68,140	\$ 208,958	\$ 209,419	\$ 67,679	\$ 1,104	\$ 289	\$ 68,494

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>		<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through KY Workforce Development Cabinet:				
Adult Education - State Grant Program	84.002	*	3739	\$ 108,256
Total KY Workforce Development Cabinet				<u>108,256</u>
Passed-Through Department of Education:				
Title I	84.010	*	3108	152,645
Title I	84.010	*	3108M	2,415
Title I	84.010	*	3109	446,652
Title I	84.010	*	3109M	8,395
				<u>610,107</u>
Migrant Education - State Grant Program	84.011		3117E	1,620
Migrant Education - State Grant Program	84.011		3118	5,150
Migrant Education - State Grant Program	84.011		3118R	15,406
Migrant Education - State Grant Program	84.011		3119	92,018
Migrant Education - State Grant Program	84.011		3119R	273,371
				<u>387,565</u>
Vocational Education - Basic Grants to States	84.048		3489	17,396
Rural Education	84.358		3508	2,687
Rural Education	84.358		3509	38,566
				<u>41,252</u>
Teacher Quality Enhancement Grants	84.367		4018	11,457
Teacher Quality Enhancement Grants	84.367		4019	128,379
				<u>139,837</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186		4068	5,767
Safe and Drug-Free Schools and Communities - State Grants	84.186		4069	446
				<u>6,213</u>
Education Technology State Grants	84.318		4257	2,439
Education Technology State Grants	84.318		4258	2,642
Education Technology State Grants	84.318		4259	6,275
				<u>11,357</u>
Twenty-First Century Community Learning Centers	84.287		5507	58,439
Twenty-First Century Community Learning Centers	84.287		5508	34,352
				<u>92,790</u>
Special Education Cluster:				
Special Education - Grants to States	84.027		3378	42,271
Special Education - Preschool Grants	84.173		3438	8,769
Special Education - Preschool Grants	84.027		3379	299,107
Special Education - Preschool Grants	84.173		3439	19,289
IDEA B - ARRA	84.027		4249	8,300
Total Special Education Cluster				<u>377,735</u>
Total U.S. Department of Education				1,792,508

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Agriculture</u>			
Passed-Through State Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	7750002 08	103,580
National School Lunch Program	10.555	7750002 09	381,598
School Breakfast Program	10.553	7760005 08	43,527
School Breakfast Program	10.553	7760005 09	165,656
Summer Food Service Program for Children	10.559	7690024 08	1,641
Summer Food Service Program for Children	10.559	7740023 08	15,733
Summer Food Service Program for Children	10.559	7740023 09	18,247
Total Child Nutrition Cluster			<u>729,982</u>
Pass-Through State Department of Agriculture			
Food Donation Program	10.550		<u>42,833</u>
Total U.S. Department of Agriculture			<u>772,815</u>
<u>Corporation For National and Community Service</u>			
Community Education Learn and Serve	94.004	6758	703
Community Education Learn and Serve	94.004	6759	<u>4,800</u>
Total Corporation For National and Community Service			<u>5,503</u>
 Total Federal Financial Assistance			 <u>\$ 2,570,826</u>

* Denotes Major Federal Program

METCALFE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Metcalfe County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of audit issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None Reported

Type of auditor's report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.001	Title I
84.002	Adult Education - State Grant program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section II - Financial Statement of Findings

Finding No. 2009-01: Bank Reconciliation:

Criteria: Internal controls should be in place that provides assurance of accurate bank reconciliations.

Condition: Original year-end bank reconciliation did not agree with amounts on the Annual Financial Report.

Cause: Internal controls are not being implemented fully.

Effect: Possibility of cash being materially overstated or understated.

Recommendation: Procedures should be implemented for additional cross-checking to ensure bank reconciliation agrees with the Annual Financial Report.

Management Response: Management agrees with finding and will implement recommendation by the auditor.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2009

Financial Statement Findings

Prior Year Finding:

During our audit we identified deficiencies within the year-end closing process concerning bank reconciliations and the process of recording accounts receivable. The original bank reconciliation provided to us during fieldwork did not reconcile back to the financial statements. Additionally, during our search of subsequent receipts, unrecorded receivables were found.

Current year conclusion: The bank reconciliation at year-end during our current year audit did not reconcile back to the financial statement. The accounts receivable recording process at year-end appears to have been performed correctly.

Federal Award Findings and Questioned Costs:

The audit of Metcalfe County School District for the year ended June 30, 2008, revealed no audit findings requiring corrective action.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENTAL AUDITING STANDARDS*

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalf County School District
Edmonton, KY 42129

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metcalf County School District, as of and for the year ended June 30, 2009, which collectively comprise the Metcalf County School District's basic financial statements and have issued our report thereon dated October 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II and III of the *Independent Auditor's Contract*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metcalf County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Metcalf County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Metcalf County School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Metcalf County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Metcalf County School District's financial statements that is more than inconsequential will not be prevented or detected by the Metcalf County School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2009-01 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Metcalf County School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described in the attached schedule is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metcalfe County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Metcalfe County School District, in a separate letter dated October 19, 2009.

This report is intended solely for the information and use of management, the member of the Metcalfe County School District, the Kentucky Department of Education, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Campbellsville, KY

October 19, 2009



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalf County School District
Edmonton, KY 42129

Compliance

We have audited the compliance of the Metcalf County School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Metcalf County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Metcalf County School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metcalf County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Metcalf County School District's compliance with those requirements.

In our opinion, Metcalf County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Metcalf County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Metcalf County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance required of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results more than a remote likelihood that material noncompliance with a type of compliance requirement of federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Metcalf County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, Kentucky
October 19, 2009

MANAGEMENT LETTER



WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

October 19, 2009

Members of the Board of Education
Metcalf County School District
Edmonton, Kentucky

In planning and performing our audit of the financial statements of the Metcalf County School District for the year ended June 30, 2009, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance of the internal control structure.

However, during our audit we became aware of four matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters, but we would first like to address the progress of the management letter points from the previous audit.

The management letter from the previous fiscal year discussed four points with respect to strengthening internal controls within the school activities funds.

In connection with our testing of activity funds, the following observations were made concerning the prior year management letter points:

Prior fiscal year Condition – Activity fund fundraiser procedures are not being followed. One occurrence was found at Edmonton Elementary School where the fundraiser worksheet was not used. No fundraiser documentation was used at all at Metcalf County High School.

Observation – Fundraisers worksheets were found for all approved fundraisers at the schools.

Prior fiscal year Condition – Metcalf County High School booster clubs for band, baseball and football and the Metcalf County Middle School Booster Club had not submitted the annual AFR to the Central Office by July 25 as required by "Red Book" guidelines for booster clubs.

Observation – Financial reports for the Metcalf County High School band, baseball and football boosters and the Metcalf County Middle School boosters are still not being submitted timely. A current year management letter comment will be made.

The following memorandum discusses the current year management letter points. We will review the status of these comments during our next audit engagement. We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the Board is complying with requirements such as those mentioned in the following memorandum.

Sincerely,

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

301 E. MAIN STREET • P.O. BOX 1083 • CAMPBELLVILLE, KY 42719-1083 • (270) 465-6842 • FAX (270) 465-7703
E-Mail: wlbcpa@windstream.net • www.wlbcpas.com

MEMBERS: AICPA • KYCPA

METCALFE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
October 19, 2009

Fiduciary Funds – School Activity Funds

I. Criteria – Properly completed Fund Raiser Worksheet F-SA-2B or equivalent allows for better trail of fund raiser activity.

Condition – Activity Fund fundraising documentation on the fundraiser worksheets are not traceable to the fund ledgers.

Cause – Additional awareness needed for the importance of documenting fundraising activities.

Effect – Complete documentation as intended for fundraising activities within Accounting Procedures for Kentucky School Activity Funds are not being followed fully allowing for better accountability for receipts and expenditures for fundraisers.

Recommendation – Document receipts (line 3) and expenses (line 4) on School Activity Fund Raiser Worksheet F-SA-2B or equivalent in manner which allows for receipt and expenses amounts to be traceable to the fund ledgers.

Response – Management agrees with the finding and the recommendation will be adopted.

II. Condition – Booster club financial statements are not being turned in. At the time of audit fieldwork, Metcalfe County High School booster clubs for baseball, band, and football and the Metcalfe County Middle School had not turned in their annual financial statement which is due July 25.

Criteria – Accounting Procedures for Kentucky School Activity Funds requires proper procedures to be followed concerning school booster clubs.

Cause – School booster club sponsors are not properly trained.

Effect – Booster clubs are non-compliance with Accounting Procedures for Kentucky School Activity Funds. Procedures are designed to ensure booster club receipts and expenditures are for the benefit of the students associated with the applicable booster club. Possible mismanagement of funds could happen without proper procedures being followed.

Recommendation – Educate booster club sponsors concerning the requirements of booster club reporting requirements according to “Red Book” procedures.

Response – Management agrees with the finding and the recommendation will be adopted.